

## UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

### Non-GAAP Measures Reconciliation to GAAP

#### Adjusted Operating Ratio\*

<i>Millions, Except Percentages</i>		<i>2004</i>
Operating revenue (a)	\$	12,215
As reported operating expenses	\$	10,920
Rail grinding		19
Asbestos charge		(247)
Adjusted operating expenses (b)	\$	10,692
Adjusted operating ratio (b/a)		87.5%

#### Adjusted Diluted Earnings Per Share\*

<i>Millions, Except Per Share Amounts</i>		<i>2004</i>
As reported	\$	0.57
Rail grinding		(0.01)
Asbestos charge		0.15
Adjusted diluted earnings per share	\$	0.71

\* Adjusted operating ratio is operating expense as reported plus pre-tax change in accounting principle for rail grinding minus pre-tax change for unasserted asbestos-related claims divided by operating revenue. Adjusted diluted earnings per share is as reported diluted earnings per share minus after-tax change in accounting principle for rail grinding plus after-tax change for unasserted asbestos-related claims. Management believes these measures provide an alternative presentation of results that more accurately reflect on-going Company operations, without the distorting effect of the asbestos charge.

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### Non-GAAP Measures Reconciliation to GAAP

#### Adjusted Net Income\*

Millions	2004	
As reported	\$	604
Rail grinding		(12)
Asbestos charge		154
Adjusted net income	\$	746

#### Adjusted Equity\*

Millions	2004		2003	
As reported	\$	12,655	\$	12,354
Rail grinding		(104)		(92)
Asbestos charge		154		-
Adjusted equity	\$	12,705	\$	12,262
Average adjusted equity	\$	12,484		

\* Adjusted net income is net income as reported minus after-tax change in accounting principle for rail grinding plus after-tax change for unasserted asbestos-related claims. Adjusted equity is equity as reported minus after-tax change in accounting principle for rail grinding plus after-tax change for unasserted asbestos-related claims. Management believes these measures provide an alternative presentation of results that more accurately reflect on-going Company operations, without the distorting effect of the asbestos charge.

#### Return on Invested Capital as Adjusted (ROIC)\*

Millions, Except Percentages	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2004**
Net income	\$ 4,388	\$ 3,943	\$ 3,292	\$ 2,780	\$ 746
Interest expense	526	535	572	602	527
Receivable securitization fees	-	-	-	-	11
Interest on present value of operating leases	175	190	208	222	172
Taxes on interest and fees	(264)	(273)	(293)	(307)	(222)
Net operating profit after taxes as adjusted (a)	\$ 4,825	\$ 4,395	\$ 3,779	\$ 3,297	\$ 1,234
Average equity	\$ 20,551	\$ 19,228	\$ 18,171	\$ 17,282	12,484
Average debt	9,287	8,952	9,074	9,545	8,061
Average value of sold receivables	-	-	-	200	590
Average present value of operating leases	3,077	3,160	3,350	3,574	2,148
Average invested capital as adjusted (b)	\$ 32,915	\$ 31,340	\$ 30,595	\$ 30,601	\$ 23,283
Return on invested capital as adjusted (a/b)	14.7%	14.0%	12.4%	10.8%	5.3%

\* ROIC is defined as average equity plus average debt plus average present value of operating leases plus average value of sold receivables divided by net income plus interest expense, interest on average present value of operating leases and receivable securitization fees less taxes on interest. ROIC is considered a non-GAAP financial measure by SEC Regulation G and Item 10 of SEC Regulation S-K, and may not be defined and calculated by other companies in the same manner. We believe this measure is important in evaluating the efficiency and effectiveness of the Corporation's long-term capital investments, and we currently use ROIC as a performance criteria in determining certain elements of equity compensation for our executives. ROIC should be considered in addition to, rather than as a substitute for, other information provided in accordance with GAAP. The most comparable GAAP measure is Return on Average Common Shareholders' Equity.

\*\* Net income and average equity are adjusted for rail grinding and asbestos charge. See above for reconciliation to GAAP numbers.